



**Republic of Namibia**

**Response by the Minister of Finance and Public  
Enterprises  
on matters raised during the Second Reading of the  
2024/25 Budget and  
Medium-Term Expenditure Framework for the  
2024/25-2026/27**

*Ipumbu Shiimi, MP Minister of Finance and Public Enterprises*

26 March 2024

---

*Honourable Speaker; Honourable Members;*

1. I am pleased to stand here before this August House to respond and give clarity to questions, comments and matters raised by Honourable Members during the Second Reading of the 2024/25 budget and Medium-Term Expenditure Framework for the 2024/25-2026/27.
2. At the onset, I am grateful that most of the Honourable Members are content that this is a well-balanced and well-crafted budget. Secondly, I would like to thank the Honourable Members from various political parties who have taken the floor to contribute to the budget I tabled in this August House last month to indicate the positives and negatives of the budget and propose how best we could improve the budgeting process. Your continuous call for improvement on the efficiency in the use of public funds does not fall on deaf ears, and the government will do its utmost best to make sure public funds are put to good use and are channelled to areas of high returns and benefit to all citizens.

*Honourable Speaker; Honourable Members;*

3. As I indicated in my budget speech, this budget is prepared in the context of improving macroeconomic fundamentals, under which our growth prospects improved considerably. This follows a period of recession and recovery from the pandemic; however, I still hear some of the Honourable Members saying that the budget is influenced by the upcoming elections. After that difficult period, it is only fair that the government provide some relief for its citizens, and smooth out the bust associated with the economic slowdown.

*Honourable Speaker;*

4. Now let me turn to the issues and aspects raised on the budget. When responding to these aspects as raised, I may not cover each detail pertaining to specific funding proposals for programmes under the various Budget Votes. In this regard, I would rely on my Cabinet Colleagues to provide specific details on the various programmes at the Committee stage.

*Honourable Members;*

5. Even Honourable Smit acknowledged that this is definitely a balanced budget. In his own words, “The budget is impressive and growth over past years is impressive”, unfortunately, he disproportionately referred to the growth as inflationary enabled and refused to give the credits due.
6. To provide clarity, *Honourable Speaker*; Nominal GDP is calculated as real GDP multiplied by a GDP deflator. The deflator accounts for a change in price level over a period of time, in which inflation plays a part. Despite that inflation has been above average in the past two years, we experienced a consistent increase in real GDP, with a growth of 6.4 percent in 2022, 5.6 percent in 2023 and estimated growth of 4.0 percent in 2024. Definitely, this could not be by accident but as a result of well-directed economic policy.

*Honourable Speaker; Honourable Members;*

7. *Honourable Member* further associates the increase in the SACU Revenue to N\$28 billion to inflationary pressure. While other Honourable Members are concerned that the structure of the economy remains unchanged, and the secondary industry remains limited. On SACU Revenue *Honourable Speaker*, the adjustment of N\$4.4 billion is due to lower estimates of transfer to SACU revenue

pool in the previous year by South Africa. This implies that we could have actually received that money in the previous year. The formula provides for the adjustments.

*Honourable Speaker, Honourable Members,*

8. To address Namibia's reliance on SACU revenue, the government is working around the clock, to diversify domestic revenue and broaden the domestic tax base. We have been pursuing some of these reforms from previous financial years, some are included in this budget, while others are still in the pipeline. Furthermore, we are readying ourselves to renegotiate tax treaties with our key trading partners to close the loopholes of tax evasion.
9. In addition, as provided for in this budget, we are committed to gradually reducing the corporate tax rate to 28 percent in order to enhance the competitiveness of our tax system to attract investments and foster private sector development. Moreover, the government is working on measures to make sure it gets the most out of its natural resources and ventures into new industries such as green hydrogen, and oil and gas. All these efforts are directed at positioning Namibia in the global economy and increasing domestic revenue generation capacity.
10. On the diversification of the economy, we have been implementing the economic diversification strategy with the overall objective of developing complementary new engines of growth through facilitating a more private sector-driven economic growth. In this regard, we have launched four productivity taskforces to facilitate public-private dialogues and address binding constraints in the areas of High-Value Fruits, Beef Value Chain, Film and Television as well as Electricity Supply.

*Honourable Speaker; Honourable Members;*

11. *Some Honourable Members* registered their concern that debt and interest are taking up a lot of resources, and displace development priorities and service delivery. *Honourable Speaker*, every year when the Minister of Finance, including myself table the budget, in this August House, caution the House of the danger of increasing debt and cost of debt. Thus, the Ministry is equally concerned, and this is why in our budget we undertook a path of keeping the positive primary balance over the MTEF and reducing the budget deficit. This direction is aimed at stabilising and gradually reducing debt. However, *Honourable Speaker*, the Honourable Members should realise that we are operating in a situation where resources are limited, while socioeconomic problems are many and enormous. In order to address these problems in the space of limited resources borrowing is undertaken. What we should ensure is that borrowed money is invested in productive investments with high returns and continues the path of debt reduction. But as we may be aware, this could not be done in the pace of a year or one MTEF, it is done gradually, and this is what we are doing at present. Our debt to GDP is estimated at 60.1% from a prior year estimate of 66%.
  
12. We should also make sure that we operate under a limited budget. I hear some Honourable Members raising their concerns about the funding of the National Assembly and National Council. I expect the due consideration to start in this house. We could not demand an increase in funding while at the same time, we are bemoaning increasing debt.

*Honourable Members;*

13. An *Honourable Member* touched on the relationship between the government and the Central Bank and enumerated that despite the increase in civil service salaries the government will undo it through increasing the repo rate. I want to inform the Honourable Member that the issue of inflation that translates into the increase in a repo rate is not a Namibian thing. It is a worldwide phenomenon, driven by global supply constraints. We all understand the danger of inflation and its impact on the economy including the employees.
  
14. The increase in repo rate came as a result of wayward inflation induced mainly by geopolitical tensions, especially the Russia-Ukraine conflict that resulted in the increase in fuel and food prices. If you have been following carefully, *which I am encouraging you to do*, the tightening of monetary policy started in developed countries including the US and was later spread across most of the emerging and developing economies. Some of these economies have independent monetary authorities but still have racked the repo rate. Also, the Honourable Member could realise that when the country was in economic distress, the Central Bank reduced the repo rate from 9.8 percent at the beginning of 2020, to 3.75 at the beginning of 2022. This was done to protect the citizens from hard economic situations. However, the bank rate was increased from 2022 until it reaches 7.75 at present, in the same manner, to protect the citizens and the economy from inflation. The debate between the schools of thought about the independence of monetary policy is not concluded, and each schools have its merits, which I am sure do not play a role in the assertion by Hon. Smit.

*Honourable Speaker, Honourable Members;*

15. There was also an issue raised with regard to the late His Excellence, Dr Hage G Geingob's wish to increase the old age pension to about N\$2000 or N\$3000 as to why it is not honoured in full. Honourable members in my budget speech in February 2024, I reiterated that we fully recognise the dream of our late President for a significant increase in old age pension, however, we cannot afford to deliver this dream in one financial year. But, we will continue to work towards it with gradual increases over time, as resources permit.
16. If this increase was to be effected it could have cost the government an additional N\$5.2 billion to the current N\$4.8 billion to total N\$10.1 billion per year. This is equivalent to the allocation made to the Ministry of Health and Social Service in FY2024/25 and about 60 percent of the allocation to the Ministry of Basic Education and Culture in the same period.
17. Furthermore, the deficit would have gone past the N\$8.9 billion estimates, this increase could have raised the deficit to N\$14.2 billion, which is equivalent to 5.1 percent of GDP.

*Honourable Speaker;*

18. Some Honourable members questioned the allocation to the development budget in relation to total allocation and debt services. We acknowledge the need to increase the development budget and its role in economic development. This is the reason why we have increased the development budget by some 58.1 percent to N\$12.7 billion. The idea is to continue with a gradual increase until we reach

a desired level based on fund availability and the capacity of OMAs to execute.

*Honourable Members;*

19. There was also advice from some Honourable Members that the windfall of revenue as a result of economic performance and SACU revenue should have been used in times of calamity, like drought or the next pandemic. I have indicated in my budget speech that a significant portion of the government debt portfolio is due for repayment over the MTEF including the US\$750 million or some N\$14.3 billion Eurobond which is due in 2025. In this regard, we will direct part of the increase in revenues towards the sinking fund for debt redemption purposes. I believe this is in line with the suggested approach by the Honourable Members. Likewise, we targeted about N\$700 million for drought relief. I am sure Hon. Members could agree that we are faced with the looming severe drought this year, which I believe is a calamity like any other.

*Honourable Speaker;*

20. A concern was raised that there is less shareholding by the State in mineral resources. At the same time, the Hon. Member hinted at the issue of greylisting impact on trade for daily consumables, but the Minister has not pronounced himself on the issue. Regarding the shareholding, the government is trying as much as possible to ensure that Namibia's natural resources benefit the citizens of the country, this has resulted in a 50/50 percent shareholding between the Government and Namdeb Holding. However, while ownership is important, we should have a broader view. The right question to be asked should be, how best Namibia can optimise benefits from its natural resources, because if you focus on ownership you may lose the bigger picture. Through our fiscal regime, we continuously aim to



get our fair share of value created from our resources, over the life of the mines, without depending only on shareholding.

21. With regards to the greylisting, in my budget speech, I indicated that despite the greylisting, we have made significant progress and remain committed to addressing the outstanding action items for us to be removed from the grey list in the shortest possible time. Therefore we are seized with this issue among our top priorities.

*Honourable Speaker; Honourable Members;*

22. Another clarity was sought on a 5 percent increase for civil service and that it applies across, and as a result low-income earners will be negatively affected compared to high-income earners and she is probing its effectiveness.

*Honourable Speaker;*

23. The results for the government and Unions negotiation Teams are public information and this information was widely distributed. According to the agreement between the Government and the Labour Unions, the salary increase of N\$600 per month was granted for the staff members on Grade 15 and 14, while a 5 percent salary increase was given to staff members on Grade 13 to 1 all with the effect from 1<sup>st</sup> April 2024. This is in addition to adjustments on housing, allowance, subsidies and transport allowance effected in October 2023. Government must also have competitive salaries to attract the rights skills at all levels.

*Honourable Speaker; Honourable Members;*

24. The concerns of most of the Members is regarding lagging or insufficient investment in the agriculture and green industrialisation despite its potential for reigniting growth and create employment.

*Honourable Speaker;*

25. At present the Ministry of Agriculture, Water and Land Reform is implementing a total of 53 Capital Projects that have positively contributed to economic growth and employment creation. The total budgetary allocation of N\$ 865 million was utilised in FY2023/24 and N\$1,3 billion is allocated in FY2024/25.
26. Among the 53 capital projects the notable ones are as follows; Improvement of animal health and marketing in North Communal areas (NCA), Beef Value Chain Development in the Northern Communal Areas, The Green Schemes, Namibia Agricultural Mechanisation and Seed Improvement Project (NAMSIP), Land Purchase Sub-Programme, Value Chains (Cereal, Poultry, Horticulture, small stock distribution) Programme, Implementation of Community Based Management and Construction of Earth Dams, Modernization of Traditional Wells, Pans for Livestock drinking.

*Honourable Speaker; Honourable members;*

27. Let me turn my attention to the Green Schemes; *Honourable Speaker*, in the early 2000s, the Government of Namibia took a principle decision to embark on intensive agriculture through investment in large-scale irrigation projects along perennial rivers and dams. The developmental objective was to achieve increased food security, increased contribution to GDP, job creation, exports and attracting private sector investment and local participation in the crop production sector.
28. The objectives for establishing and investing in green schemes are set out in the 2008 Green Scheme Policy (and Policy Guidelines). To give effect to the policy objectives, the Government established and mandated specialized public sector institutions, mainly the Agriculture Business Development Agency (AgriBusDev) a Section

21 Company to be responsible for oversight and facilitating functions and the Agricultural Marketing and Trade Agency (AMTA) to promote, among others, the marketing, preservation and trading of the scheme produce.

*Honourable Members;*

29. The implementation of this large-scale scheme is not without challenges; fourteen years after the operationalization of the Green Scheme Policy, a myriad of operational and financial challenges continued to threaten the financial and economic sustainability of the schemes.
30. In the meantime, new investments and more land identification have been made to bring more hectares under irrigation. This is especially in regard to the construction and commissioning of the Neckartal Dam and other identified brownfields such as Neckartal, Tandjeskoppe, Zone and Katima Liselo Irrigation Project for which no investment and development has taken place.
31. In November 2021, the Government of the Republic of Namibia mandated the Ministry of Agriculture, Water and Land Reform (MAWLR) through Cabinet Decision No.: 21st /23.11.21.012 decide to reignite the performance of the Green Schemes by outsourcing the operation of the Green Schemes as is (voetstoots) to private operators, in line with the Harambee Prosperity Plan II through a competitive leasing or PPP process. The outsourcing will include the existing Green Scheme Projects and newly identified (brown) Green Scheme projects under the Green Scheme Program.
32. As part of the Green Scheme Projects restructuring process, MAWLR has established a work plan for the outsourcing of both the brownfield Schemes and existing Green Scheme Projects through competitive bidding. To this effect, MAWLR has since requested for exemption

from the Public Procurement Act which the exemption was granted in August 2022.

33. Parallel to the implementation of Cabinet Decision No.: 21st /23.11.21.012 and as an interim measure Cabinet through Decision No: 3rd CCOPP/02.11.22/001 endorsed the proposed interim plan to intensify production at the Green Scheme Projects while the process of outsourcing the Green Schemes unfolds. To this end, during the financial year under review, MAWLR received a budget of around N\$ 120 million which was used for the repair and maintenance of irrigation infrastructure, procurement of new tractors and implements, as well as procurement of production inputs.

*Honourable Speaker;*

34. Some Honourable Members raised the issue of lack of fiscal transparency and limited public participation. I want to inform the Honourable Members that Namibia has been participating in the Open Budget Survey since 2010 contacted by the International Budget Partnership. The purpose of the country's participation is to ensure that we achieve a satisfactory level of budget transparency. Namibia was ranked 72 out of 120 countries in 2021, scoring 42 percent in budget transparency. One of the pillars being measured is public consultations. Although Namibia has performed poorly in this indicator, the Ministry has strengthened its efforts in public consultations, where in 2022, consultations were held across the country, starting with the parliament, and was taken to the Regions including civil societies and business communities. In this regard, I am sure the results of the 2022 Open Budget Survey will turn out in a positive way and I expect improvement in various pillars. We further wish to keep this momentum and continue improving going into the future.

*Honourable Speaker; Honourable Members;*

35. In conclusion, I want to thank all the Honourable Members for their contributions and support. I further want to encourage Honourable Members to always analyse and critique the budget, all for the betterment of the budgeting process. Your valuable contributions will help direct national priorities and improve the budget process. In this regard, I wish to request your support and approval of the budget.

**I thank you!**